

AGENDA
FREMONT REDEVELOPMENT AGENCY REGULAR MEETING
MARCH 16, 2010
7:00 P.M.

1. CALL TO ORDER

2. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine by the Redevelopment Agency and will be enacted by one motion and one vote. There will be no separate discussion of these items unless an Agency Member or citizen so requests, in which event the item will be removed from the Consent Calendar and considered in its normal sequence on the agenda. Additionally, other items without a "Request to Address the Redevelopment Agency Board" card in opposition may be added to the consent calendar. (In the report section of the agenda, consent items are indicated by an asterisk.)

2.1 Approval of Minutes – None.

3. PUBLIC COMMUNICATIONS

3.1 Oral and Written Communications

4. PUBLIC HEARINGS – None.

5. OTHER BUSINESS

5.1 Report Out from Closed Session of Any Final Action

5.2 FIRST AMENDMENT TO THE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY AND BLAKE HUNT VENTURES, INC., AND CENTERSTREET DEVELOPMENT, LLC, AND APPROVAL OF TERM SHEET

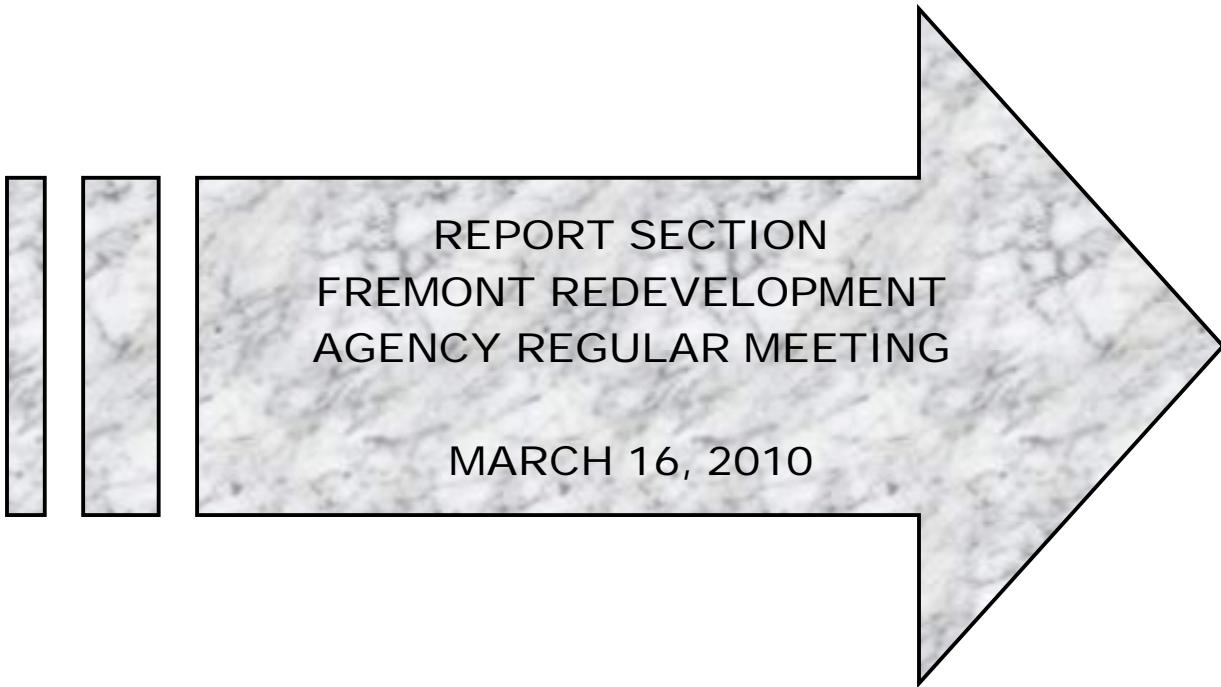
Consideration of Adoption of a Resolution to Execute an Amendment to the Exclusive Right to Negotiate Agreement and Approve a Non-Binding Term Sheet with Blake Hunt Ventures, Inc., and CenterStreet Development, LLC for the Centerville Unified Site within the Centerville Project Area Portion of the Fremont Merged Project Area Site

Contact Person:

Name:	Barbara Szudy	Elisa Tierney
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RECOMMENDATION: Adopt a resolution authorizing the Executive Director or his designee to enter into the First Amendment to the Exclusive Right to Negotiate Agreement with Blake Hunt Ventures, Inc., and CenterStreet Development, LLC for the Centerville Unified Site, and approve the Term Sheet for the project.

6. ADJOURNMENT



5.1 Report Out from Closed Session of Any Final Action

5.2 FIRST AMENDMENT TO THE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY AND BLAKE HUNT VENTURES, INC., AND CENTERSTREET DEVELOPMENT, LLC, AND APPROVAL OF TERM SHEET

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Executive Summary: In July 2009, the Agency Board authorized execution of an Exclusive Right to Negotiate Agreement (“ERNA”) for the Centerville Unified Site with a development team that included Blake Hunt Ventures (“BHV”) and CenterStreet Housing, LLC (“CSH”). The agreement, executed on August 3, 2009, provided for a 210-day period (ending February 28, 2010) to complete negotiations of the terms of a Disposition and Development Agreement (“DDA”). The parties have negotiated the terms of the Agreement (“Term Sheet”), but require an extension to the ERNA to prepare and submit a Refined Proposal for the project, and to complete environmental documentation. This staff report seeks Agency Board approval of the Term Sheet and authorization to execute the First Amendment to the ERNA to approve an assignment of CenterStreet Housing, LLC’s interest in the ERNA to Center Street Development LLC, its affiliate, and to extend the negotiating period through January 31, 2011.

BACKGROUND: In October 2007, the Agency Board selected Blake Hunt Ventures as the developer for the 6.6 acre Centerville Unified Site, bounded by Fremont Boulevard, Thornton Avenue, Post Street and Bonde Way. Subsequently, the City entered into an ERNA with BHV and BRE Properties, Inc., a housing developer, in October 2008; however, due to the turmoil in the financial, credit, and real estate markets, BRE was unable to continue with the project, and the ERNA was terminated in March 2009. BHV then teamed up with CenterStreet Housing headed by Brad Griggs, who had been the Chief Investment Officer for BRE, and has 27 years of real estate development experience. During the current 210-day ERNA period, the development team has submitted a Preliminary Proposal to the Agency, which included site plans; held a community workshop to review the project and receive public input, received City comments on the plans; contracted for a draft Parking Study; developed a financial proforma, held discussions with equity investors; and, in conjunction with City staff, negotiated a non-binding Term Sheet which sets forth business terms which will form the basis for the DDA for the development. It will be necessary to extend the ERNA in order to complete the deliverables required under the current ERNA schedule (submit Refined Proposal, hold second Community Workshop) and to complete environmental analysis and final negotiations on the DDA.

DISCUSSION/ANALYSIS: Preparation and consideration of a non-binding Term Sheet (an attachment to this report) is an action called for in the ERNA. The proposed non-binding Term Sheet sets forth some basic proposed business terms for the DDA that are intended to serve as a basis for preparation of the necessary environmental documentation under the California Environmental Quality Act (“CEQA”) and for further negotiation and documentation of a DDA. No binding obligation will arise unless and until the Agency approves a DDA in its policy discretion following compliance with all applicable legal requirements, including review and consideration of the appropriate CEQA documentation.

Focusing at an early stage on the provisions outlined in the Term Sheet has allowed the Agency and the development team to conduct negotiations on project terms that typically are not resolved until final DDA negotiations. The developer spent months refining the financial proforma, which includes detailed construction costs, and the information was used as a basis for determining the required Agency subsidy. Investigation into financing options during the current economic climate, and discussions with equity investors who are requiring a higher rate of return for these types of projects (which require obtaining entitlements and thus carry associated risks), have assisted both parties in identifying with more certainty the level of Agency participation which will be required.

Some key elements of the Term Sheet are as follows:

- **Development:** This high-quality mixed-use “urbanistic” development would include approximately 188 residential units (including a limited number of “live-work” units); 26,700 square feet of neighborhood retail space; 1,550 square feet of office space serving the developer’s operation of the residential portion of the project; one or more plazas, along with a private street connecting Fremont Boulevard to Post Street; and parking spaces sufficient to effectively market and operate the development. The project would also include traffic improvements to Post Street and would facilitate the City’s commencement of Fremont Boulevard street improvements.
- **Financial Assistance:** The Term Sheet provides for sale of the project site to the developer for a dollar. Agency financial assistance is proposed to consist of \$13,500,000 to pay eligible costs related to on-site development and the Post Street improvements. In addition, the Agency would pay for design and construction of Fremont Boulevard improvements as part of the planned Fremont Boulevard Streetscape Improvements Project, and any increase in development impact fees occurring between the date the DDA is executed and the commencement of construction. The Agency would advance up to \$250,000 of its total assistance on a 50/50 match basis to reimburse the developer for specified pre-development costs incurred and paid after execution of the DDA (if one is approved by the Agency Board) and prior to the start of construction. If the developer fails to obtain City entitlements or is unable to close escrow, the developer would repay the Agency advance (without interest) and assign all rights to any plans, approvals or other documents to the Agency. The proposed purchase price and Agency financial assistance have been calibrated to fill the gap, as determined through a joint development pro forma review by the Agency’s consultants and the developer, between the costs of developing the project and the debt and equity funding sources that can foreseeably be obtained to pay for such development.

- **Profit Participation:** The Agency would be eligible to receive profit participation as outlined in Exhibit “B” of the Term Sheet to enable the Agency to participate in the upside financial performance of the project and to avoid a private sector “windfall” profit if economic conditions improve beyond current expectations.
- **Development Schedule and Construction:** The schedule provides for conveyance of the property within 22 months of the DDA execution, and commencement of construction within 1 month of the conveyance. The developer would comply with payment of State prevailing wages as required by applicable State laws.

Community Outreach: Prior to the execution of the ERNA, a community meeting sponsored by the developers was held on May 13, 2009. In addition, the developers have met with local community organizations to receive input on the project. The development team held the Initial Community Workshop, as required by the ERNA, on October 26, 2009. The project, which included modifications to increase the area of the public plaza, was well received. Once the developers have submitted the Refined Proposal, currently anticipated in June 2010, the Second Community Workshop to receive the community’s input on revisions to the development plan would be held the following month, according to the current schedule. If Agency staff and the BHV/CSH team are successful in reaching agreement on the terms of the DDA, the proposed DDA would be brought forward to the Agency Board for formal consideration of approval at a noticed public hearing. In addition, CEQA documentation will be required for DDA approval, and the public will have an opportunity to comment at various points during that process.

FISCAL IMPACT: There is no fiscal impact at this time. If the Agency Board authorizes the First Amendment to the ERNA leading to the successful execution of a Disposition and Development Agreement, the fiscal impact would be \$13.5 million.

ENCLOSURES:

- [Draft Resolution](#)
- [First Amendment to the Exclusive Right to Negotiate Agreement for the Centerville Unified Site](#)
- [Proposed Term Sheet for Centerville Unified Site Disposition and Development Agreement](#)

RECOMMENDATION: Adopt a resolution authorizing the Executive Director or his designee to enter into the First Amendment to the Exclusive Right to Negotiate Agreement with Blake Hunt Ventures, Inc., and CenterStreet Development, LLC for the Centerville Unified Site, and approve the Term Sheet for the project.